

UNIFIED SCHOOL DISTRICT NO. 440

HALSTEAD, KANSAS

Special Financial Statements

June 30, 2010

Unified School District No. 440

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# Knudsen Monroe & Company LLC

## INDEPENDENT AUDITOR'S REPORT

Board of Education  
Unified School District No. 440  
Halstead, Kansas 67056

We have audited the accompanying primary government financial statements of the individual funds of Unified School District No. 440, Halstead, Kansas, as of and for the year ended June 30, 2010, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year partial comparative financial information has been derived from the District's 2009 financial statements and in our report dated August 31, 2009 we expressed an unqualified opinion on the financial statements taken as a whole.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the *Kansas Municipal Audit Guide*; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the District has prepared these financial statements in conformity with the accounting practices prescribed by the State of Kansas to demonstrate compliance with the cash basis and budget laws of the State of Kansas, which practices differ from accounting principles generally accepted in the United States of America. The effect on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, is presumed to be material.

In our opinion, because of the District's policy to prepare its financial statements on the basis of accounting discussed in the preceding paragraph, the financial statements referred to above do not present fairly in conformity with accounting principles generally accepted in the United States of America the financial position of Unified School District No. 440, Halstead, Kansas, as of June 30, 2010, or the results of its operations for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly in all material respects the cash and unencumbered cash balances of the Primary Government of Unified School District No. 440, Halstead, Kansas, as of June 30, 2010, and its cash receipts and expenditures for the year then ended taken as a whole on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 29, 2010, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements of Unified School District No. 440, Halstead, Kansas, taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

*Knudsen, Manwe & Company LLC*

Certified Public Accountants

October 29, 2010

SUMMARY STATEMENT OF CASH RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH

Year ended June 30, 2010

| <u>FUNDS</u>                            | <u>Unencumbered<br/>Cash Balance<br/>6-30-09</u> | <u>Prior Year<br/>Cancelled<br/>Encumbrances</u> | <u>Receipts</u>   | <u>Expenditures<br/>and<br/>Transfers</u> | <u>Unencumbered<br/>Cash Balance<br/>6-30-10</u> | <u>Encumbrances<br/>6-30-10</u> | <u>Cash<br/>Balance<br/>6-30-10</u> |
|---|--|--|-------------------|---|--|---------------------------------|-------------------------------------|
| <b>General</b>                          |  |  |                   |   |  |                                 |                                     |
| General                                 | \$ (620,316)                                     | -  | 5,634,508         | 5,589,920                                 | (575,728)  | 14,961                          | (560,767)                           |
| Supplemental general                    | (34,045)   | -  | 1,269,001         | 1,295,000                                 | (60,044)   | 214,133                         | 154,089                             |
| <b>Special revenue</b>                  |  |  |                   |   |  |                                 |                                     |
| At risk (K-12)                          | -  | -  | 491,834           | 451,937                                   | 39,897   | 6,531                           | 46,428                              |
| At risk (4 year old)                    | -  | -  | 42,144            | 42,144                                    | -  | 188                             | 188                                 |
| Capital outlay                          | 292,276  | -  | 494,142           | 238,446                                   | 547,972  | 23,882                          | 571,854                             |
| Driver training                         | 35,711   | -  | 20,246            | 13,501                                    | 42,456   | -                               | 42,456                              |
| Food service                            | 90,930   | -  | 333,745           | 330,991                                   | 93,684   | 491                             | 94,175                              |
| Professional development                | 50,165   | -  | 16,199            | 15,915                                    | 50,449   | -                               | 50,449                              |
| Parent education                        | 17,833   | -  | 8,812             | 8,812                                     | 17,833   | -                               | 17,833                              |
| Summer school                           | 6,251  | -  | -                 | 36  | 6,215  | -                               | 6,215                               |
| Special education                       | 213,490  | -  | 816,648           | 852,323                                   | 177,815  | -                               | 177,815                             |
| Textbook and student material revolving | 39,239   | -  | 49,027            | 41,027                                    | 47,239   | 505                             | 47,744                              |
| Student health initiative               | 925  | -  | 3,570             | 3,502                                     | 993  | 669                             | 1,662                               |
| Vocational education                    | -  | -  | 137,918           | 137,918                                   | -  | -                               | -                                   |
| Bilingual education                     | -  | -  | 1,605             | 1,605                                     | -  | -                               | -                                   |
| KPERS special retirement contribution   | -  | -  | 296,630           | 296,630                                   | -  | -                               | -                                   |
| Contingency reserve                     | 551,469  | -  | -                 | -   | 551,469  | -                               | 551,469                             |
| Federal government programs             | -  | -  | 149,749           | 149,749                                   | -  | 3,149                           | 3,149                               |
| Gate receipts                           | 18,284   | -  | 115,444           | 109,825                                   | 23,903   | -                               | 23,903                              |
| School projects                         | 11,198   | -  | 41,978            | 42,041                                    | 11,135   | -                               | 11,135                              |
| <b>Capital project</b>                  |  |  |                   |   |  |                                 |                                     |
| 2004 Improvement fund                   | 5,127  | -  | -                 | 5,127                                     | -  | -                               | -                                   |
| <b>Debt service</b>                     |  |  |                   |   |  |                                 |                                     |
| Bond and interest                       | 601,575  | -  | 755,179           | 647,963                                   | 708,791  | -                               | 708,791                             |
| <b>Fiduciary</b>                        |  |  |                   |   |  |                                 |                                     |
| Student organizations                   | -  | -  | 74,774            | 74,774                                    | -  | 48,968                          | 48,968                              |
| Gift funds                              | 24,653   | -  | 364               | 1,680                                     | 23,337   | -                               | 23,337                              |
|   | <u>\$ 1,304,765</u>                              | <u>-</u>   | <u>10,753,517</u> | <u>10,350,866</u>                         | <u>1,707,416</u>                                 | <u>313,477</u>                  | <u>2,020,893</u>                    |

Unified School District No. 440  
SUMMARY STATEMENT OF EXPENDITURES -  
ACTUAL AND BUDGET  
Year ended June 30, 2010

|                                       | Certified<br>Budget  | Adjustment to<br>Comply with<br>Legal Max | Adjustment for<br>Qualifying<br>Budget Credits | Total<br>Budget for<br>Comparison | Expenditures<br>Chargeable to<br>Current Year | Variance<br>Over<br>(Under) |
|---------------------------------------|----------------------|---|--|-----------------------------------|---|-----------------------------|
| <b>General</b>                        |                      |   |  |                                   |   |                             |
| General                               | \$ 5,846,992         | (257,072)                                 | -  | 5,589,920                         | 5,589,920                                     | -                           |
| Supplemental general                  | 1,295,000            | -   | -  | 1,295,000                         | 1,295,000                                     | -                           |
| <b>Special revenue</b>                |                      |   |  |                                   |   |                             |
| At risk (K-12)                        | 455,000              | -   | -  | 455,000                           | 451,937                                       | (3,063)                     |
| At risk (4 year old)                  | 60,000               | -   | -  | 60,000                            | 42,144  | (17,856)                    |
| Capital outlay                        | 325,000              | -   | -  | 325,000                           | 238,446                                       | (86,554)                    |
| Driver training                       | 40,000               | -   | -  | 40,000                            | 13,501  | (26,499)                    |
| Food service                          | 457,000              | -   | -  | 457,000                           | 330,991                                       | (126,009)                   |
| Professional development              | 71,000               | -   | -  | 71,000                            | 15,915  | (55,085)                    |
| Parent education                      | 28,000               | -   | -  | 28,000                            | 8,812   | (19,188)                    |
| Summer school                         | 6,500                | -   | -  | 6,500                             | 36  | (6,464)                     |
| Special education                     | 1,215,000            | -   | -  | 1,215,000                         | 852,323                                       | (362,677)                   |
| Vocational education                  | 205,000              | -   | -  | 205,000                           | 137,918                                       | (67,082)                    |
| Bilingual education                   | 2,000                | -   | -  | 2,000                             | 1,605   | (395)                       |
| KPERS special retirement contribution | 346,935              | -   | -  | 346,935                           | 296,630                                       | (50,305)                    |
| <b>Debt service</b>                   |                      |   |  |                                   |   |                             |
| Bond and interest                     | 648,213              | -   | -  | 648,213                           | 647,963                                       | (250)                       |
|                                       | <u>\$ 11,001,640</u> | <u>(257,072)</u>                          | <u>-</u>                                       | <u>10,744,568</u>                 | <u>9,923,141</u>                              | <u>(821,427)</u>            |
| Add expenditures of unbudgeted funds  |                      |   |  |                                   |   |                             |
| Special revenue                       |                      |   |  |                                   | 351,271                                       |                             |
| Fiduciary                             |                      |   |  |                                   | 76,454  |                             |
| Total expenditures, Statement 1       |                      |   |  |                                   | <u>\$ 10,350,866</u>                          |                             |

See notes to financial statements

## Unified School District No. 440

STATEMENT OF CASH RECEIPTS AND EXPENDITURES -  
ACTUAL AND BUDGET

Year ended June 30, 2010

(With comparable actual totals for the prior year ended June 30, 2009)

|                                    | 2009<br><u>Actual</u> | 2010             |                  | Variance-<br>Over<br>(Under) |
|------------------------------------|-----------------------|------------------|------------------|------------------------------|
|                                    |                       | <u>Actual</u>    | <u>Budget</u>    |                              |
| <b>GENERAL FUND</b>                |                       |                  |                  |                              |
| Receipts                           |                       |                  |                  |                              |
| Taxes                              |                       |                  |                  |                              |
| Tax in process                     | \$ 30,040             | 14,998           | 12,163           | 2,835                        |
| Current tax                        | 560,318               | 535,268          | 480,161          | 55,107                       |
| Delinquent tax                     | 13,043                | 11,614           | 15,073           | (3,459)                      |
| Machinery and equipment aid        | 476                   | -                | -                | -                            |
| Mineral production tax             | 1,490                 | 465              | -                | 465                          |
| ARRA stabilization aid             | -                     | 267,115          | 267,115          | -                            |
| General state aid                  | 4,569,495             | 4,218,037        | 4,452,621        | (234,584)                    |
| Special education state aid        | 657,735               | 587,011          | 619,859          | (32,848)                     |
|                                    | <u>5,832,597</u>      | <u>5,634,508</u> | <u>5,846,992</u> | <u>(212,484)</u>             |
| Expenditures                       |                       |                  |                  |                              |
| Instruction                        | 2,420,239             | 2,517,457        | 2,588,500        | (71,043)                     |
| Student support services           | 172,688               | 179,138          | 217,100          | (37,962)                     |
| Instructional support services     | 328,988               | 238,092          | 331,000          | (92,908)                     |
| General administration             | 223,877               | 178,070          | 228,442          | (50,372)                     |
| School administration              | 477,281               | 500,908          | 479,700          | 21,208                       |
| Operations and maintenance         | 790,509               | 650,155          | 604,750          | 45,405                       |
| Student transportation services    | 252,222               | 238,124          | 163,500          | 74,624                       |
| Other support services             | 72,686                | 72,220           | 74,000           | (1,780)                      |
| Operating transfers                | 1,294,350             | 1,015,756        | 1,160,000        | (144,244)                    |
|                                    | <u>6,032,840</u>      | <u>5,589,920</u> | <u>5,846,992</u> | <u>(257,072)</u>             |
| Budget adjustments:                |                       |                  |                  |                              |
| Legal maximum budget               | -                     | -                | (257,072)        | 257,072                      |
|                                    | <u>6,032,840</u>      | <u>5,589,920</u> | <u>5,589,920</u> | <u>-</u>                     |
| Receipts over (under) expenditures | (200,243)             | 44,588           |                  |                              |
| Unencumbered cash, beginning       | (420,073)             | (620,316)        |                  |                              |
| Unencumbered cash, ending          | <u>\$ (620,316)</u>   | <u>(575,728)</u> |                  |                              |

See notes to financial statements



## Unified School District No. 440

STATEMENT OF CASH RECEIPTS AND EXPENDITURES -  
ACTUAL AND BUDGET

Year ended June 30, 2010

(With comparable actual totals for the prior year ended June 30, 2009)

|                                    |                    | 2010             |                  | Variance -      |
|------------------------------------|--------------------|------------------|------------------|-----------------|
|                                    | 2009               |                  |                  | Over            |
|                                    | <u>Actual</u>      | <u>Actual</u>    | <u>Budget</u>    | <u>(Under)</u>  |
| <b>SUPPLEMENTAL GENERAL FUND</b>   |                    |                  |                  |                 |
| Receipts                           |                    |                  |                  |                 |
| Taxes                              |                    |                  |                  |                 |
| Tax in process                     | \$ 22,621          | 11,474           | 9,361            | 2,113           |
| Current tax                        | 402,954            | 508,490          | 536,240          | (27,750)        |
| Delinquent tax                     | 11,005             | 9,175            | 10,856           | (1,681)         |
| Vehicle tax                        | 69,592             | 65,113           | 66,019           | (906)           |
| Machinery and equipment aid        | 303                | -                | -                | -               |
| ARRA stabilization aid             | -                  | 176,650          | -                | 176,650         |
| State aid                          | 509,006            | 498,099          | 698,601          | (200,502)       |
|                                    | <u>1,015,481</u>   | <u>1,269,001</u> | <u>1,321,077</u> | <u>(52,076)</u> |
| Expenditures                       |                    |                  |                  |                 |
| Instruction                        | 228,600            | 182,628          | 103,000          | 79,628          |
| Student support services           | 34                 | 1,242            | -                | 1,242           |
| Instructional support staff        | 20,045             | 26,738           | 27,000           | (262)           |
| General administration             | 170                | 17,050           | 250              | 16,800          |
| School administration              | 17,984             | 55,861           | 15,000           | 40,861          |
| Operations and maintenance         | 3,404              | 236,131          | 260,250          | (24,119)        |
| Student transportation services    | -                  | 23,983           | 255,500          | (231,517)       |
| Other supplemental services        | 34,627             | 46,008           | 39,000           | 7,008           |
| Operating transfers                | 790,136            | 705,359          | 595,000          | 110,359         |
|                                    | <u>1,095,000</u>   | <u>1,295,000</u> | <u>1,295,000</u> | <u>-</u>        |
| Receipts over (under) expenditures | (79,519)           | (25,999)         |                  |                 |
| Unencumbered cash, beginning       | 45,474             | (34,045)         |                  |                 |
| Unencumbered cash, ending          | <u>\$ (34,045)</u> | <u>(60,044)</u>  |                  |                 |

See notes to financial statements

## Unified School District No. 440

STATEMENT OF CASH RECEIPTS AND EXPENDITURES -  
ACTUAL AND BUDGET

Year ended June 30, 2010

(With comparable actual totals for the prior year ended June 30, 2009)

|                                    |                       | 2010           |                |                               |
|------------------------------------|-----------------------|----------------|----------------|-------------------------------|
|                                    | 2009<br><u>Actual</u> | <u>Actual</u>  | <u>Budget</u>  | Variance -<br>Over<br>(Under) |
| <b>AT RISK (K-12) FUND</b>         |                       |                |                |                               |
| Receipts                           |                       |                |                |                               |
| Transfers from other funds         | \$ 381,400            | 491,834        | 400,000        | 91,834                        |
| Expenditures                       |                       |                |                |                               |
| Instruction                        | 361,272               | 436,743        | 433,600        | 3,143                         |
| Student support services           | 20,128                | 15,194         | 21,400         | (6,206)                       |
|                                    | <u>381,400</u>        | <u>451,937</u> | <u>455,000</u> | <u>(3,063)</u>                |
| Receipts over (under) expenditures | -                     | 39,897         |                |                               |
| Unencumbered cash, beginning       | -                     | -              |                |                               |
| Unencumbered cash, ending          | <u>\$ -</u>           | <u>39,897</u>  |                |                               |
| <b>AT RISK (4YEAR OLD) FUND</b>    |                       |                |                |                               |
| Receipts                           |                       |                |                |                               |
| Transfers from other funds         | \$ 57,980             | 42,144         | 60,000         | (17,856)                      |
| Expenditures                       |                       |                |                |                               |
| Salaries and benefits              | 51,679                | 41,633         | 58,300         | (16,667)                      |
| Other                              | 6,301                 | 511            | 1,700          | (1,189)                       |
|                                    | <u>57,980</u>         | <u>42,144</u>  | <u>60,000</u>  | <u>(17,856)</u>               |
| Receipts over (under) expenditures | -                     | -              |                |                               |
| Unencumbered cash, beginning       | -                     | -              |                |                               |
| Unencumbered cash, ending          | <u>\$ -</u>           | <u>-</u>       |                |                               |

See notes to financial statements

## Unified School District No. 440

STATEMENT OF CASH RECEIPTS AND EXPENDITURES -  
ACTUAL AND BUDGET

Year ended June 30, 2010

(With comparable actual totals for the prior year ended June 30, 2009)

|                                    |                   | 2010           |                | Variance -      |
|------------------------------------|-------------------|----------------|----------------|-----------------|
|                                    | 2009              | Actual         | Budget         | Over            |
|                                    | Actual            |                |                | (Under)         |
| <b>CAPITAL OUTLAY FUND</b>         |                   |                |                |                 |
| Receipts                           |                   |                |                |                 |
| Taxes                              |                   |                |                |                 |
| Tax in process                     | \$ 7,107          | 3,091          | 2,976          | 115             |
| Current tax                        | 126,680           | -              | -              | -               |
| Delinquent tax                     | 3,389             | 2,865          | 3,414          | (549)           |
| Vehicle tax                        | 21,183            | 20,458         | 20,738         | (280)           |
| Machinery and equipment aid        | 95                | -              | -              | -               |
| Interest                           | 22,606            | 9,056          | 5,596          | 3,460           |
| Transfers from other funds         | 120,656           | 190,000        | -              | 190,000         |
| Capital outlay state aid           | 50,366            | -              | -              | -               |
| Grants and other                   | 58,971            | 268,672        | -              | 268,672         |
|                                    | <u>411,053</u>    | <u>494,142</u> | <u>32,724</u>  | <u>461,418</u>  |
| Expenditures                       |                   |                |                |                 |
| Equipment and furniture            | 220,234           | 110,506        | 265,000        | (154,494)       |
| Construction and remodeling        | 27,111            | -              | 10,000         | (10,000)        |
| Site improvement                   | 287,723           | 127,940        | 50,000         | 77,940          |
|                                    | <u>535,068</u>    | <u>238,446</u> | <u>325,000</u> | <u>(86,554)</u> |
| Receipts over (under) expenditures | (124,015)         | 255,696        |                |                 |
| Unencumbered cash, beginning       | 416,291           | 292,276        |                |                 |
| Unencumbered cash, ending          | <u>\$ 292,276</u> | <u>547,972</u> |                |                 |
| <b>DRIVER TRAINING FUND</b>        |                   |                |                |                 |
| Receipts                           |                   |                |                |                 |
| State aid                          | \$ 1,330          | 1,400          | 1,500          | (100)           |
| Other                              | 21                | 9,601          | 2,789          | 6,812           |
| Transfers from other funds         | 2,700             | 9,245          | -              | 9,245           |
|                                    | <u>4,051</u>      | <u>20,246</u>  | <u>4,289</u>   | <u>15,957</u>   |
| Expenditures                       |                   |                |                |                 |
| Salaries and benefits              | 3,566             | 8,335          | 8,300          | 35              |
| Other                              | 467               | 782            | 9,300          | (8,518)         |
| Equipment and furnishings          | -                 | 4,384          | 22,400         | (18,016)        |
|                                    | <u>4,033</u>      | <u>13,501</u>  | <u>40,000</u>  | <u>(26,499)</u> |
| Receipts over (under) expenditures | 18                | 6,745          |                |                 |
| Unencumbered cash, beginning       | 35,693            | 35,711         |                |                 |
| Unencumbered cash, ending          | <u>\$ 35,711</u>  | <u>42,456</u>  |                |                 |

See notes to financial statements

## Unified School District No. 440

STATEMENT OF CASH RECEIPTS AND EXPENDITURES -  
ACTUAL AND BUDGET

Year ended June 30, 2010

(With comparable actual totals for the prior year ended June 30, 2009)

|                                      |                  | 2010           |                | Variance -       |
|--------------------------------------|------------------|----------------|----------------|------------------|
|                                      | 2009             |                |                | Over             |
|                                      | <u>Actual</u>    | <u>Actual</u>  | <u>Budget</u>  | <u>(Under)</u>   |
| <b>FOOD SERVICE FUND</b>             |                  |                |                |                  |
| Receipts                             |                  |                |                |                  |
| Lunch and breakfast sales            | \$ 173,041       | 146,231        | 150,892        | (4,661)          |
| Federal aid                          | 154,427          | 166,996        | 150,394        | 16,602           |
| State aid                            | 4,222            | 3,967          | 4,248          | (281)            |
| Other                                | 2,410            | 5,551          | 536            | 5,015            |
| Transfers from other funds           | 11,720           | 11,000         | 60,000         | (49,000)         |
|                                      | <u>345,820</u>   | <u>333,745</u> | <u>366,070</u> | <u>(32,325)</u>  |
| Expenditures                         |                  |                |                |                  |
| Salaries and benefits                | 146,609          | 147,586        | 148,500        | (914)            |
| Food and supplies                    | 197,615          | 177,399        | 263,000        | (85,601)         |
| Equipment                            | 2,116            | 6,006          | 45,500         | (39,494)         |
|                                      | <u>346,340</u>   | <u>330,991</u> | <u>457,000</u> | <u>(126,009)</u> |
| Receipts over (under) expenditures   | (520)            | 2,754          |                |                  |
| Unencumbered cash, beginning         | 91,450           | 90,930         |                |                  |
| Unencumbered cash, ending            | <u>\$ 90,930</u> | <u>93,684</u>  |                |                  |
| <b>PROFESSIONAL DEVELOPMENT FUND</b> |                  |                |                |                  |
| Receipts                             |                  |                |                |                  |
| Other                                | \$ 1,167         | 199            | 835            | (636)            |
| Transfers from other funds           | 32,200           | 16,000         | 20,000         | (4,000)          |
|                                      | <u>33,367</u>    | <u>16,199</u>  | <u>20,835</u>  | <u>(4,636)</u>   |
| Expenditures                         |                  |                |                |                  |
| Salaries and benefits                | 23,181           | 11,842         | 32,500         | (20,658)         |
| Purchased services and other         | 10,171           | 4,073          | 34,000         | (29,927)         |
| Supplies                             | -                | -              | 4,500          | (4,500)          |
|                                      | <u>33,352</u>    | <u>15,915</u>  | <u>71,000</u>  | <u>(55,085)</u>  |
| Receipts over (under) expenditures   | 15               | 284            |                |                  |
| Unencumbered cash, beginning         | 50,150           | 50,165         |                |                  |
| Unencumbered cash, ending            | <u>\$ 50,165</u> | <u>50,449</u>  |                |                  |

See notes to financial statements

## Unified School District No. 440

STATEMENT OF CASH RECEIPTS AND EXPENDITURES -  
ACTUAL AND BUDGET

Year ended June 30, 2010

(With comparable actual totals for the prior year ended June 30, 2009)

|                                    |                  | 2010          |               | Variance -      |
|------------------------------------|------------------|---------------|---------------|-----------------|
|                                    | 2009             | Actual        | Budget        | Over            |
|                                    | Actual           |               |               | (Under)         |
| <b>PARENT EDUCATION FUND</b>       |                  |               |               |                 |
| Receipts                           |                  |               |               |                 |
| Other                              | \$ -             | -             | 167           | (167)           |
| Transfers from other funds         | 12,250           | 8,812         | 10,000        | (1,188)         |
|                                    | <u>12,250</u>    | <u>8,812</u>  | <u>10,167</u> | <u>(1,355)</u>  |
| Expenditures                       |                  |               |               |                 |
| Supplies                           | -                | -             | 6,000         | (6,000)         |
| Equipment and furniture            | -                | -             | 2,000         | (2,000)         |
| Purchased services and other       | 12,205           | 8,812         | 20,000        | (11,188)        |
|                                    | <u>12,205</u>    | <u>8,812</u>  | <u>28,000</u> | <u>(19,188)</u> |
| Receipts over (under) expenditures | 45               | -             |               |                 |
| Unencumbered cash, beginning       | 17,788           | 17,833        |               |                 |
| Unencumbered cash, ending          | <u>\$ 17,833</u> | <u>17,833</u> |               |                 |
| <b>SUMMER SCHOOL FUND</b>          |                  |               |               |                 |
| Receipts                           |                  |               |               |                 |
| Other                              | \$ -             | -             | 249           | (249)           |
| Expenditures                       |                  |               |               |                 |
| Salaries and benefits              | 623              | -             | 4,300         | (4,300)         |
| Other                              | 226              | 36            | 2,200         | (2,164)         |
|                                    | <u>849</u>       | <u>36</u>     | <u>6,500</u>  | <u>(6,464)</u>  |
| Receipts over (under) expenditures | (849)            | (36)          |               |                 |
| Unencumbered cash, beginning       | 7,100            | 6,251         |               |                 |
| Unencumbered cash, ending          | <u>\$ 6,251</u>  | <u>6,215</u>  |               |                 |

See notes to financial statements

## Unified School District No. 440

STATEMENT OF CASH RECEIPTS AND EXPENDITURES -  
ACTUAL AND BUDGET

Year ended June 30, 2010

(With comparable actual totals for the prior year ended June 30, 2009)

|   |                   | 2010           |                  | Variance -       |
|---|-------------------|----------------|------------------|------------------|
|   | 2009              |                |                  | Over             |
|   | <u>Actual</u>     | <u>Actual</u>  | <u>Budget</u>    | <u>(Under)</u>   |
| <b>SPECIAL EDUCATION FUND</b>                       |                   |                |                  |                  |
| Receipts  |                   |                |                  |                  |
| Other   | \$ -              | -              | 1,511            | (1,511)          |
| Transfers from other funds                          | 949,621           | 816,648        | 1,000,000        | (183,352)        |
|   | <u>949,621</u>    | <u>816,648</u> | <u>1,001,511</u> | <u>(184,863)</u> |
| Expenditures  |                   |                |                  |                  |
| Salaries and benefits                               | 97,321            | 98,323         | 103,200          | (4,877)          |
| Purchased services and other                        | 954               | 1,083          | 15,500           | (14,417)         |
| Equipment and furniture                             | -                 | -              | 125,000          | (125,000)        |
| Transportation                                      | 2,363             | 7,980          | 10,000           | (2,020)          |
| Tuition   | 849,922           | 744,937        | 961,300          | (216,363)        |
|   | <u>950,560</u>    | <u>852,323</u> | <u>1,215,000</u> | <u>(362,677)</u> |
| Receipts over (under) expenditures                  | (939)             | (35,675)       |                  |                  |
| Unencumbered cash, beginning                        | 214,429           | 213,490        |                  |                  |
| Unencumbered cash, ending                           | <u>\$ 213,490</u> | <u>177,815</u> |                  |                  |
| <b>TEXTBOOK AND STUDENT MATERIAL REVOLVING FUND</b> |                   |                |                  |                  |
| Receipts  |                   |                |                  |                  |
| Fees  | \$ 40,556         | 49,027         |                  |                  |
| Expenditures  |                   |                |                  |                  |
| Textbooks   | 30,959            | 39,973         |                  |                  |
| Materials and supplies                              | -                 | 1,054          |                  |                  |
|   | <u>30,959</u>     | <u>41,027</u>  |                  | NOT APPLICABLE   |
| Receipts over (under) expenditures                  | 9,597             | 8,000          |                  |                  |
| Unencumbered cash, beginning                        | 29,642            | 39,239         |                  |                  |
| Unencumbered cash, ending                           | <u>\$ 39,239</u>  | <u>47,239</u>  |                  |                  |

See notes to financial statements

## Unified School District No. 440

STATEMENT OF CASH RECEIPTS AND EXPENDITURES -  
ACTUAL AND BUDGET

Year ended June 30, 2010

(With comparable actual totals for the prior year ended June 30, 2009)

|                                       |                       | 2010           |                | Variance -      |
|---------------------------------------|-----------------------|----------------|----------------|-----------------|
|                                       | 2009<br><u>Actual</u> | <u>Actual</u>  | <u>Budget</u>  | Over<br>(Under) |
| <b>STUDENT HEALTH INITIATIVE FUND</b> |                       |                |                |                 |
| Receipts                              |                       |                |                |                 |
| Grant                                 | \$ -                  | 3,570          |                |                 |
| Expenditures                          |                       |                |                |                 |
| Other                                 | -                     | 3,502          | NOT APPLICABLE |                 |
| Receipts over (under) expenditures    | -                     | 68             |                |                 |
| Unencumbered cash, beginning          | 925                   | 925            |                |                 |
| Unencumbered cash, ending             | <u>\$ 925</u>         | <u>993</u>     |                |                 |
| <b>VOCATIONAL EDUCATION FUND</b>      |                       |                |                |                 |
| Receipts                              |                       |                |                |                 |
| Transfers from other funds            | \$ 149,806            | 133,827        | 205,000        | (71,173)        |
| Other                                 | 2,680                 | 4,091          | -              | 4,091           |
|                                       | <u>152,486</u>        | <u>137,918</u> | <u>205,000</u> | <u>(67,082)</u> |
| Expenditures                          |                       |                |                |                 |
| Salaries and benefits                 | 117,285               | 118,643        | 118,000        | 643             |
| Tuition and other                     | 35,201                | 19,275         | 87,000         | (67,725)        |
|                                       | <u>152,486</u>        | <u>137,918</u> | <u>205,000</u> | <u>(67,082)</u> |
| Receipts over (under) expenditures    | -                     | -              |                |                 |
| Unencumbered cash, beginning          | -                     | -              |                |                 |
| Unencumbered cash, ending             | <u>\$ -</u>           | <u>-</u>       |                |                 |
| <b>BILINGUAL EDUCATION</b>            |                       |                |                |                 |
| Receipts                              |                       |                |                |                 |
| Transfers from other funds            | \$ -                  | 1,605          | 2,000          | (395)           |
| Expenditures                          |                       |                |                |                 |
| Salaries and benefits                 | -                     | 1,605          | 2,000          | (395)           |
| Receipts over (under) expenditures    | -                     | -              |                |                 |
| Unencumbered cash, beginning          | -                     | -              |                |                 |
| Unencumbered cash, ending             | <u>\$ -</u>           | <u>-</u>       |                |                 |

## Unified School District No. 440

STATEMENT OF CASH RECEIPTS AND EXPENDITURES -  
ACTUAL AND BUDGET

Year ended June 30, 2010

(With comparable actual totals for the prior year ended June 30, 2009)

|                                    |                   | <u>2010</u>    |                | Variance -      |
|------------------------------------|-------------------|----------------|----------------|-----------------|
|                                    | <u>2009</u>       | <u>Actual</u>  | <u>Budget</u>  | Over            |
|                                    | <u>Actual</u>     |                |                | <u>(Under)</u>  |
| <b>KPERS SPECIAL RETIREMENT</b>    |                   |                |                |                 |
| <b>CONTRIBUTION FUND</b>           |                   |                |                |                 |
| Receipts                           |                   |                |                |                 |
| State KPERS aid                    | \$ 302,902        | 296,630        | <u>346,935</u> | <u>(50,305)</u> |
| Expenditures                       |                   |                |                |                 |
| Employee benefits                  | <u>302,902</u>    | <u>296,630</u> | <u>346,935</u> | <u>(50,305)</u> |
| Receipts over (under) expenditures | -                 | -              |                |                 |
| Unencumbered cash, beginning       | -                 | -              |                |                 |
| Unencumbered cash, ending          | <u>\$ -</u>       | <u>-</u>       |                |                 |
| <b>CONTINGENCY RESERVE FUND</b>    |                   |                |                |                 |
| Receipts                           |                   |                |                |                 |
| Transfers from other funds         | \$ 366,153        | -              |                |                 |
| Expenditures                       |                   |                |                |                 |
| Salaries and benefits              | <u>57,575</u>     | -              | NOT APPLICABLE |                 |
| Receipts over (under) expenditures | 308,578           | -              |                |                 |
| Unencumbered cash, beginning       | <u>242,891</u>    | <u>551,469</u> |                |                 |
| Unencumbered cash, ending          | <u>\$ 551,469</u> | <u>551,469</u> |                |                 |



## Unified School District No. 440

STATEMENT OF CASH RECEIPTS AND EXPENDITURES -  
ACTUAL AND BUDGET\*

Year ended June 30, 2010

(With comparable actual totals for the prior year ended June 30, 2009)

|                                    | 2010                                  |                 |                              |                          |         | 2009<br>Total |
|------------------------------------|---------------------------------------|-----------------|------------------------------|--------------------------|---------|---------------|
|                                    | Title II-A<br>Class Size<br>Reduction | Title I<br>ESEA | Title II<br>Math/<br>Science | Title IV<br>Drug<br>Free | Total   |               |
| Receipts                           |                                       |                 |                              |                          |         |               |
| Federal aid                        | \$ 16,338                             | 131,173         | 1,271                        | 967                      | 149,749 | 100,848       |
| Expenditures                       |                                       |                 |                              |                          |         |               |
| Salaries and benefits              | 1,401                                 | 129,298         | -                            | -                        | 130,699 | 65,989        |
| Equipment and supplies             | 1,399                                 | 1,875           | 900                          | -                        | 4,174   | 3,516         |
| Other expense                      | 13,538                                | -               | 371                          | 967                      | 14,876  | 31,343        |
|                                    | 16,338                                | 131,173         | 1,271                        | 967                      | 149,749 | 100,848       |
| Receipts over (under) expenditures | -                                     | -               | -                            | -                        | -       | -             |
| Unencumbered cash, beginning       | -                                     | -               | -                            | -                        | -       | -             |
| Unencumbered cash, ending          | \$ -                                  | -               | -                            | -                        | -       | -             |

\*Legally adopted budget not applicable

See notes to financial statements

## Unified School District No. 440

STATEMENT OF CASH RECEIPTS AND EXPENDITURES -  
ACTUAL AND BUDGET

Year ended June 30, 2010

(With comparable actual totals for the prior year ended June 30, 2009)

|                                    |                   | 2010           |                | Variance -    |
|------------------------------------|-------------------|----------------|----------------|---------------|
|                                    | 2009              | Actual         | Budget         | Over          |
|                                    | Actual            |                |                | (Under)       |
| <b>2004 IMPROVEMENT FUND</b>       |                   |                |                |               |
| Receipts                           | \$ -              | -              |                |               |
| Expenditures                       |                   |                |                |               |
| Other                              | -                 | 5,127          | NOT APPLICABLE |               |
| Receipts over (under) expenditures | -                 | (5,127)        |                |               |
| Unencumbered cash, beginning       | 4,527             | 5,127          |                |               |
| Cancelled prior year encumbrances  | 600               | -              |                |               |
| Unencumbered cash, ending          | <u>\$ 5,127</u>   | <u>-</u>       |                |               |
| <b>BOND AND INTEREST FUND</b>      |                   |                |                |               |
| Receipts                           |                   |                |                |               |
| Taxes                              |                   |                |                |               |
| Tax in process                     | \$ 23,633         | 11,915         | 8,407          | 3,508         |
| Current tax                        | 419,229           | 401,655        | 358,402        | 43,253        |
| Delinquent tax                     | 11,052            | 9,475          | 11,259         | (1,784)       |
| Vehicle tax                        | 69,367            | 67,631         | 68,575         | (944)         |
| Machinery and equipment aid        | 314               | -              | -              | -             |
| State aid                          | 238,868           | 264,503        | 261,889        | 2,614         |
|                                    | <u>762,463</u>    | <u>755,179</u> | <u>708,532</u> | <u>46,647</u> |
| Expenditures                       |                   |                |                |               |
| Principal                          | 150,000           | 170,000        | 170,000        | -             |
| Interest                           | 489,962           | 477,963        | 477,963        | -             |
| Commission                         | -                 | -              | 250            | (250)         |
|                                    | <u>639,962</u>    | <u>647,963</u> | <u>648,213</u> | <u>(250)</u>  |
| Receipts over (under) expenditures | 122,501           | 107,216        |                |               |
| Unencumbered cash, beginning       | 479,074           | 601,575        |                |               |
| Unencumbered cash, ending          | <u>\$ 601,575</u> | <u>708,791</u> |                |               |

Unified School District No. 440  
 STATEMENT OF CASH RECEIPTS, DISBURSEMENTS  
 AND CHANGES IN CASH BALANCES  
 School Activity Funds  
 Year ended June 30, 2010

|  | Beginning<br>Balance | Receipts       | Disbursements  | Ending<br>Balance |
|--|----------------------|----------------|----------------|-------------------|
| <b><u>Activity Gate Receipts</u></b>         |                      |                |                |                   |
| High School                                  |                      |                |                |                   |
| Athletics                                    | \$ 14,916            | 84,498         | 81,437         | 17,977            |
| Concessions                                  | 886                  | 19,649         | 17,976         | 2,559             |
| Musicals                                     | -                    | 1,656          | 1,048          | 608               |
| Grade Schools                                |                      |                |                |                   |
| Athletics                                    | 2,482                | 9,641          | 9,364          | 2,759             |
| Totals to Statement 1                        | <u>\$ 18,284</u>     | <u>115,444</u> | <u>109,825</u> | <u>23,903</u>     |
| <b><u>School Projects</u></b>                |                      |                |                |                   |
| High School                                  | \$ 3,138             | 10,312         | 10,497         | 2,953             |
| Grade Schools                                | 8,060                | 31,666         | 31,544         | 8,182             |
| Totals to Statement 1                        | <u>\$ 11,198</u>     | <u>41,978</u>  | <u>42,041</u>  | <u>11,135</u>     |
| <b><u>Student Organizations</u></b>          |                      |                |                |                   |
| High School                                  |                      |                |                |                   |
| Class funds                                  | \$ 2,625             | 9,525          | 7,275          | 4,875             |
| Other  | 22,654               | 47,947         | 40,254         | 30,347            |
| Grade Schools                                |                      |                |                |                   |
| Class funds                                  | 1,709                | 7,070          | 2,509          | 6,270             |
| Other  | 5,709                | 10,232         | 8,465          | 7,476             |
| Total cash basis activity                    | 32,697               | 74,774         | 58,503         | 48,968            |
| Adjustments for encumbrances<br>and payables | (32,697)             | -              | 16,271         | (48,968)          |
| Totals to Statement 1                        | <u>\$ -</u>          | <u>74,774</u>  | <u>74,774</u>  | <u>-</u>          |

See notes to financial statements

## Unified School District No. 440

STATEMENT OF CASH RECEIPTS AND EXPENDITURES -  
ACTUAL AND BUDGET

Year ended June 30, 2010

(With comparable actual totals for the prior year ended June 30, 2009)

|                                    | 2010                      |                                 |                                       |         | 2009<br>Total |
|------------------------------------|---------------------------|---------------------------------|---------------------------------------|---------|---------------|
|                                    | Wedel<br>Memorial<br>Fund | Stan Robuck<br>Memorial<br>Fund | Carolyn Taylor<br>Scholarship<br>Fund | Total   |               |
| Receipts                           |                           |                                 |                                       |         |               |
| Gifts                              | 25                        | -                               | 300                                   | 325     | 4,876         |
| Interest                           | 14                        | 10                              | 15                                    | 39      | 159           |
|                                    | 39                        | 10                              | 315                                   | 364     | 5,035         |
| Expenditures                       | 500                       | 1,000                           | 180                                   | 1,680   | 1,500         |
| Receipts over (under) expenditures | (461)                     | (990)                           | 135                                   | (1,316) | 3,535         |
| Unencumbered cash, beginning       | 9,873                     | 6,881                           | 7,899                                 | 24,653  | 21,118        |
| Unencumbered cash, ending          | \$ 9,412                  | 5,891                           | 8,034                                 | 23,337  | 24,653        |

## FIDUCIARY - GIFT FUNDS

## Receipts

Gifts

Interest

## Expenditures

Receipts over (under) expenditures

Unencumbered cash, beginning

Unencumbered cash, ending

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Unified School District No. 440, Halstead, Kansas, is a municipal corporation governed by an elected seven-member board. These financial statements present only the primary government of the District.

Fund Description

In governmental accounting, a fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

The following types of funds comprise the financial activities of the District for the year ended June 30, 2010:

Governmental Funds

General Funds - to account for all unrestricted resources except those required to be accounted for in another fund.

Special Revenue Funds - to account for the proceeds of specific revenue sources (other than major capital projects) that are restricted by law or administrative action to expenditure for specified purposes.

Capital Project Fund - to account for financial resources segregated for the acquisition or construction of major capital facilities.

Debt Service Fund - to account for the accumulation of resources for, and the payment of interest and principal on long-term debt.

Fiduciary Funds

To account for assets held as an agent for individuals, other governmental units, private organizations, and/or other funds.

Basis of Accounting

The statutory basis of accounting, as used in the preparation of these statutory basis financial statements, is designed to demonstrate compliance with the cash basis and budget laws of the State of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. Expenditures include disbursements, accounts payable, and encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods and services, and are usually evidenced by a purchase order or written contract. For an interfund transaction, a cash receipt is recorded in the fund receiving cash from another fund, and an expenditure would be charged in the fund from which the transfer is made.

The District has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the District to use the statutory basis of accounting.

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Departure from Generally Accepted Accounting Principles.

The basis of accounting described above results in a financial statement presentation that shows cash receipts, expenditures, cash and unencumbered cash balances, and expenditures compared to budget. Balance sheets that would have shown noncash assets such as receivables, inventories, and prepaid expense, liabilities such as deferred revenue and matured principal and interest payable, and reservations of the fund balance are not presented. Under accounting principles generally accepted in the United States of America, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with accounting principles generally accepted in the United States of America. Capital assets that account for the land, buildings, and equipment owned by the municipality are not presented in the financial statements. Also, long-term debt such as general obligation bonds, capital leases and compensated absences are not presented in the financial statements.

Activity Funds

Under provisions of K.S.A. 72-8208a, the Board of Education has adopted a resolution relating to the school activity fund which results in the activity funds being accounted for under policies and procedures of the Board. In these financial statements, all school activity funds of the District are classified as special revenue and fiduciary funds.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

2. BUDGETARY INFORMATION

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special revenue funds (unless specifically exempted by statute) and debt service funds. The statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

1. Publication in local newspaper of the proposed budget and notice of public hearing on the budget on or before August 5th.
2. Public hearing on or before August 15th, but at least ten days after publication of notice of hearing.
3. Adoption of the final budget on or before August 25th.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication the hearing may be held and the governing body may amend the budget at that time. The 2010 budget was amended for the At Risk (K-12) and Bilingual Education funds.

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

2. BUDGETARY INFORMATION (Continued)

The budget of the general fund of a unified school district is based on estimated enrollment for the district. After the school year has begun, the enrollment for each district is audited by the Kansas Department of Education. This enrollment will determine the legal maximum budget for the district and if this "legal max" budget is less than the adopted budget, the general fund budget of the district is automatically reduced to the computed amount. If this "legal max" budget is greater than the adopted budget, the District must amend the budget (see prior paragraph) to the "legal max" amount to have the additional budget authority. The "legal max" budget for the year ended June 30, 2010 was \$5,589,920.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison statements are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the statutory basis of accounting in which revenues are recognized when cash is received and expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments by the municipality for future payments and are supported by a document evidencing the commitment, such as the purchase order or contract. All unencumbered appropriations (legal budget expenditure authority) lapse at year-end.

A legal operating budget is not required for capital project funds, fiduciary funds, and the following special revenue funds:

- Textbook and student material revolving
- Student health initiative
- Contingency reserve
- Federal government programs
- School projects
- Gate receipts

Spending in funds which are not subject to the legal annual operating budget requirement is controlled by federal regulations, other statutes, or the use of internal spending limits established by the governing body.

3. DEPOSITS AND INVESTMENTS

K.S.A. 9-1401 establishes the depositories which may be used by the District. The statute requires banks eligible to hold the District's funds have a main or branch bank in the county in which the District is located and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The District has no investment policy that would further limit interest rate risk.

K.S.A. 12-1675 limits the District's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The District has no investment policy that would further limit its investment choices.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2010

## 3. DEPOSITS AND INVESTMENTS (Continued)

As of June 30, 2010, the District's investments included only bank time deposits with a fair value of \$600,000, which are not subject to investment rating.

Concentration of Credit Risk

State statutes place no limit on the amount the District may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. State statutes require the District's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. The District has not designated peak periods. All deposits were legally secured at June 30, 2010.

At June 30, 2010, the carrying amount of the District's deposits was \$2,020,893. The bank balance totaled \$2,718,388. The balance was held by one bank resulting in a concentration of credit risk. Of the bank balance, \$262,810 was covered by FDIC insurance, and the remaining \$2,455,578 was collateralized with securities held by the pledging financial institutions' agents in the District's name.

Composition of Cash Balance

The cash balance of the District at June 30, 2010, consisted of the following accounts with local financial institutions:

|                                 |                     |
|---------------------------------|---------------------|
| Board Funds                     |                     |
| Now account                     | \$ 1,312,050        |
| Certificates of deposit         | 600,000             |
| Wedel Memorial fund             | 9,412               |
| Stan Robuck Memorial fund       | 5,890               |
| Carolyn Taylor Scholarship fund | 8,035               |
| Petty cash checking             | 1,500               |
| Total board funds               | <u>1,936,887</u>    |
| Activity funds                  |                     |
| Demand deposits                 | 11,288              |
| NOW accounts                    | 65,465              |
| Certificates of deposit         | 7,253               |
| Total activity funds            | <u>84,006</u>       |
|                                 | <u>\$ 2,020,893</u> |



Unified School District No. 440

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

4. LONG-TERM DEBT AND CAPITAL PROJECT

The District has \$9,330,000 of outstanding general obligation bonds. These bonds have scheduled maturities through October 1, 2029. Principal and interest payments are made from the Bond and Interest Fund. Interest paid during the year ended June 30, 2010 was \$477,963.

Changes in long-term debt for the District for the year ended June 30, 2010, were as follows:

| <u>Issue</u>                     | <u>Interest Rates</u> | <u>Date of Issue</u> | <u>Amount of Issue</u> | <u>Maturity Date</u> | <u>Balance 6-30-09</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance 6-30-10</u> | <u>Interest Paid</u> |
|----------------------------------|-----------------------|----------------------|------------------------|----------------------|------------------------|------------------|------------------|------------------------|----------------------|
| <b>General Obligation Bonds:</b> |                       |                      |                        |                      |                        |                  |                  |                        |                      |
| School Improvement Series 2004   | 4.50-7.50%            | 6/1/2004             | \$9,830,000            | 8/1/2029             | <u>\$9,500,000</u>     | <u>-</u>         | <u>170,000</u>   | <u>9,330,000</u>       | <u>477,963</u>       |

Current maturities of long-term debt and interest for the next five years and in five year increments through maturity are as follows:

| <u>Period ending June 30</u> | <u>General Obligation Bonds</u> |                  |                                     |
|------------------------------|---------------------------------|------------------|-------------------------------------|
|                              | <u>Principal</u>                | <u>Interest</u>  | <u>Total Principal and Interest</u> |
| 2011                         | \$ 190,000                      | 464,462          | 654,462                             |
| 2012                         | 215,000                         | 449,275          | 664,275                             |
| 2013                         | 235,000                         | 432,400          | 667,400                             |
| 2014                         | 260,000                         | 413,838          | 673,838                             |
| 2015                         | 285,000                         | 393,757          | 678,757                             |
| 2016-2020                    | 1,815,000                       | 1,657,638        | 3,472,638                           |
| 2021-2025                    | 2,615,000                       | 1,063,349        | 3,678,349                           |
| 2026-2029                    | <u>3,715,000</u>                | <u>524,474</u>   | <u>4,239,474</u>                    |
| Total                        | <u>\$ 9,330,000</u>             | <u>5,399,193</u> | <u>14,729,193</u>                   |

Project authorization and expenditures through June 30, 2010 are as follows:

|                       |                      |
|-----------------------|----------------------|
| Project authorization | <u>\$ 10,535,153</u> |
| Expenditures          | <u>\$ 10,347,798</u> |

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

5. DEFINED BENEFIT PENSION PLAN

Plan Description

The District participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, *et. seq.* KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (611 S. Kansas, Topeka, KS 66603-3803) or by calling 1-888-275-5737.

Funding Policy

K.S.A. 74-4919 established the KPERS member-employee contribution rate at 4% of covered salary. Member-employees' contributions are withheld by their employer and paid to KPERS according to the provisions of Section 414(h) of the Internal Revenue Code. The State of Kansas is required to contribute the remaining amount necessary to achieve the actuarially determined contribution rate. Kansas currently contributes 8.57% of covered payroll. Beginning July 1, 2010, the State contributions rate increased to 9.17% of covered payroll.

These contribution requirements are established by KPERS and are periodically revised. Kansas' contributions to KPERS for all Kansas public school employees for the years ending June 30, 2010, 2009 and 2008 were \$248,468,186, \$242,277,363 and \$220,815,154 respectively, equal to the required contributions for each year.

6. COMPENSATED ABSENCES

Full-time classified employees earn ten days of paid vacation upon completion of one year of employment. From two through ten years of service, eleven days of paid vacation is earned. After ten years of service, classified employees earn sixteen days of paid vacation per year. Certified employees earn no vacation. Unused vacation time has not been recorded as a liability in the accompanying financial statements.

Full-time classified and certified employees earn approximately 15 days of paid sick leave in one year of service which can be accumulated to a maximum of 70 days. Unused sick leave is not paid to employees upon termination. Unused sick leave has not been recorded as a liability in the accompanying financial statements.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2010

## 7. COMPLIANCE WITH KANSAS STATUTES

Compliance with K.S.A. 72-6417(d) and K.S.A. 72-6434(d)

K.S.A. 72-6417(d) and K.S.A. 72-6434(d) requires the school district to record any payment of general state aid that is due to be paid during the month of June and is paid to the school district after June 30, as a receipt for the school year ending on June 30. The following shows the revenue as required by the Statutes.

STATUTORY REVENUES AND EXPENDITURES -  
STATUTORY AND BUDGET  
Year ended June 30, 2010

|  | Statutory<br><u>Transactions</u> | <u>Budget</u>    | Variance<br>Over<br>(Under) |
|--|----------------------------------|------------------|-----------------------------|
| <b>GENERAL</b>                           |                                  |                  |                             |
| Statutory revenues                       |                                  |                  |                             |
| Tax in process                           | \$ 14,998                        | 12,163           | 2,835                       |
| Current tax                              | 535,268                          | 480,161          | 55,107                      |
| Delinquent tax                           | 11,614                           | 15,073           | (3,459)                     |
| Mineral production tax                   | 465                              | -                | 465                         |
| AARA stabilization aid                   | 267,115                          | 267,115          | -                           |
| General state aid                        | 4,173,449                        | 4,452,621        | (279,172)                   |
| Special education state aid              | 587,011                          | 619,859          | (32,848)                    |
| Total statutory revenue                  | <u>5,589,920</u>                 | <u>5,846,992</u> | <u>(257,072)</u>            |
| Expenditures                             |                                  |                  |                             |
| Instruction                              | 2,517,457                        | 2,588,500        | (71,043)                    |
| Student support services                 | 179,138                          | 217,100          | (37,962)                    |
| Instructional support services           | 238,092                          | 331,000          | (92,908)                    |
| General administration                   | 178,070                          | 228,442          | (50,372)                    |
| School administration                    | 500,908                          | 479,700          | 21,208                      |
| Operations and maintenance               | 650,155                          | 604,750          | 45,405                      |
| Student transportation services          | 238,124                          | 163,500          | 74,624                      |
| Other support services                   | 72,220                           | 74,000           | (1,780)                     |
| Operating transfers                      | 1,015,756                        | 1,160,000        | (144,244)                   |
| Adjustment to comply with legal max      | -                                | (257,072)        | 257,072                     |
| Legal general fund budget                | 5,589,920                        | 5,589,920        | -                           |
| Adjustment for qualifying budget credits | -                                | -                | -                           |
| Total expenditures                       | <u>5,589,920</u>                 | <u>5,589,920</u> | <u>-</u>                    |
| Revenue over (under) expenditures        | -                                |                  |                             |
| Modified unencumbered cash, beginning    | -                                |                  |                             |
| Prior year cancelled encumbrances        | -                                |                  |                             |
| Modified unencumbered cash, ending       | <u>\$ -</u>                      |                  |                             |

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

7. COMPLIANCE WITH KANSAS STATUTES (Continued)

Compliance with K.S.A. 72-6417(d) and K.S.A. 72-6434(d) (Continued)

STATUTORY REVENUES AND EXPENDITURES -  
STATUTORY AND BUDGET  
Year ended June 30, 2010

|                                       | Statutory<br>Transactions | Budget           | Variance<br>Over<br>(Under) |
|---------------------------------------|---------------------------|------------------|-----------------------------|
| <b>SUPPLEMENTAL GENERAL</b>           |                           |                  |                             |
| Statutory revenues                    |                           |                  |                             |
| Tax in process                        | \$ 11,474                 | 9,361            | 2,113                       |
| Current tax                           | 508,490                   | 536,240          | (27,750)                    |
| Delinquent tax                        | 9,175                     | 10,856           | (1,681)                     |
| Vehicle tax                           | 65,113                    | 66,019           | (906)                       |
| ARRA stabilization aid                | 176,650                   | -                | 176,650                     |
| State aid                             | 519,926                   | 698,601          | (178,675)                   |
|                                       | <u>1,290,828</u>          | <u>1,321,077</u> | <u>(30,249)</u>             |
| Expenditures                          |                           |                  |                             |
| Instruction                           | 182,628                   | 103,000          | 79,628                      |
| Student support services              | 1,242                     | -                | 1,242                       |
| Instructional support staff           | 26,738                    | 27,000           | (262)                       |
| General administration                | 17,050                    | 250              | 16,800                      |
| School administration                 | 55,861                    | 15,000           | 40,861                      |
| Operations and maintenance            | 236,131                   | 260,250          | (24,119)                    |
| Student transportation services       | 23,983                    | 255,500          | (231,517)                   |
| Other supplemental services           | 46,008                    | 39,000           | 7,008                       |
| Operating transfers                   | 705,359                   | 595,000          | 110,359                     |
|                                       | <u>1,295,000</u>          | <u>1,295,000</u> | <u>-</u>                    |
| Revenue over (under) expenditures     | (4,172)                   |                  |                             |
| Modified unencumbered cash, beginning | 81,171                    |                  |                             |
| Modified unencumbered cash, ending    | <u>\$ 76,999</u>          |                  |                             |

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

8. INTERFUND TRANSACTIONS

Operating transfers during the year ended June 30, 2010, were as follows:

|                          | Transfers to |                  | Transfers from   |                             |
|--------------------------|--------------|------------------|------------------|-----------------------------|
|                          |              | <u>Total</u>     | <u>General</u>   | <u>Supplemental General</u> |
| At Risk (K-12)           | \$           | 491,834          | 137,369          | 354,465                     |
| At Risk (4-yr. Old)      |              | 42,144           | 42,144           | -                           |
| Capital Outlay           |              | 190,000          | 190,000          | -                           |
| Driver Training          |              | 9,245            | 9,245            | -                           |
| Food Service             |              | 11,000           | -                | 11,000                      |
| Professional Development |              | 16,000           | -                | 16,000                      |
| Parent Education         |              | 8,812            | -                | 8,812                       |
| Special Education        |              | 816,648          | 636,998          | 179,650                     |
| Vocational Education     |              | 133,827          | -                | 133,827                     |
| Bilingual Education      |              | 1,605            | -                | 1,605                       |
|                          | \$           | <u>1,721,115</u> | <u>1,015,756</u> | <u>705,359</u>              |

9. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District has been unable to obtain workers compensation insurance at a cost it considered to be economically justifiable. For this reason, the District joined together with other school districts in the State to participate in Kansas Association of School Boards (KASB) Risk Management Services, a public entity risk pool currently operating as a common risk management and insurance program for participating members.

The District pays an annual premium to KASB Risk Management Services for its workers compensation insurance coverage. The agreement to participate provides that KASB Risk Management Services will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$300,000 for each insured event.

The District continues to carry commercial insurance for all other risks of loss, including liability, property, inland marine, linebacker, and fleet coverage. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

10. SUBSEQUENT EVENTS

Management has evaluated the effects on the financial statements of events occurring through October 29, 2010, which is the date the financial statements were available to be issued.

## SINGLE AUDIT SECTION

# Knudsen Monroe & Company LLC

## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Education  
Unified School District No. 440  
Halstead, Kansas 67056

We have audited the financial statements of Unified School District No. 440, Halstead, Kansas, as of and for the year ended June 30, 2010, and have issued our report thereon dated October 29, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

The auditor's report on the financial statements disclosed that, as described in Note 1, Unified School District No. 440 prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Kansas, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Board of Education, others within the entity, federal awarding agencies and pass-through state agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Knudsen, Monroe & Company LLC*

Certified Public Accountants

October 29, 2010



# Knudsen Monroe & Company LLC

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Education  
Unified School District No. 440  
Halstead, Kansas 67056

### Compliance

We have audited the compliance of Unified School District No. 440, Halstead, Kansas, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2010. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

The auditor's report on the financial statements disclosed that, as described in Note 1, the District prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Kansas, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

In our opinion, Unified School District No. 440, Halstead, Kansas, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

### Internal Control Over Compliance

The management of the District, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Board of Education, others within the entity, federal awarding agencies and pass-through state agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Knudsen, Monwe & Company LLC*

Certified Public Accountants

October 29, 2010

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended June 30, 2010

| <u>Federal Granting Agency/<br/>Grant Program</u>      | <u>CFDA<br/>Number</u> | <u>Grantor's<br/>Identifying<br/>Number</u> | <u>Grant<br/>Receipts</u> | <u>Grant<br/>Expenditures</u> |
|--|------------------------|---|---------------------------|-------------------------------|
| <b><u>U.S. Department of Agriculture</u></b>           |                        |   |                           |                               |
| Passed through State Board of Education:               |                        |   |                           |                               |
| School Breakfast Program                               | 10.553                 |   | \$ 23,873                 | \$ 23,873                     |
| National School Lunch Program                          | 10.555                 |   | 143,123                   | 143,123                       |
| Total Department of Agriculture                        |                        |   | <u>166,996</u>            | <u>166,996</u>                |
| <b><u>U.S. Department of Education</u></b>             |                        |   |                           |                               |
| Passed through State Board of Education:               |                        |   |                           |                               |
| ARRA - State Fiscal Stabilization                      | 84.394                 | S394A090017                                 | 443,765                   | 443,765                       |
| ARRA - Title I Grants to Local Educational<br>Agencies | 84.389A                | S389A090016A                                | 24,520                    | 24,520                        |
| ARRA - Title II, Education Technology State<br>Grants  | 84.386A                | S386A090016                                 | 900                       | 900                           |
| Title I, Low Income                                    | 84.010                 |   | 88,979                    | 88,979                        |
| Safe and Drug-Free Schools and Communities             | 84.186                 |   | 1,934                     | 1,934                         |
| Title IIA, Improving Teacher Quality                   | 84.367                 |   | 32,675                    | 32,675                        |
| Title IID, Education Technology                        | 84.318                 |   | 741                       | 741                           |
| School Preparedness Grant                              | 84.302                 |   | 750                       | 750                           |
| Data Use Grant   | 84.372                 |   | 800                       | 800                           |
| Total Department of Education                          |                        |   | <u>595,064</u>            | <u>595,064</u>                |
| <b>TOTAL FEDERAL AWARDS</b>                            |                        |   | <u>\$ 762,060</u>         | <u>\$ 762,060</u>             |

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards of Unified School District No. 440, Halstead, Kansas is presented on the statutory basis of accounting as described in note 1 to the financial statements. The information in this schedule is presented in accordance with the requirements of *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended June 30, 2010

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report on the financial statements disclosed that, as described in Note 1, the District prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Kansas, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. An unqualified opinion was expressed on the financial statements under this comprehensive basis of accounting.
2. No reportable conditions relating to the audit of the financial statements are reported in the report on compliance and on internal control over financial reporting based on an audit of financial statements performed in accordance with Government Auditing Standards.
3. No instances on noncompliance material to the financial statements of the District were disclosed during the audit.
4. No reportable conditions relating to the audit of the major federal programs are reported in the report on compliance with requirements applicable to each major program and internal control over compliance in accordance with OMB Circular A-133.
5. The auditor's report on compliance for the major federal award programs for the District expressed an unqualified opinion.
6. Audit findings relative to the major federal award program for the District are reported in Part C of the schedule.
7. The program tested as a major program included:  

Department of Education – State Fiscal Stabilization Fund (84.394)
8. The threshold for distinguishing Type A and B programs was \$300,000.
9. The District was determined to be a high-risk auditee.

B. FINDINGS – FINANCIAL STATEMENT AUDIT

None

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

None

Unified School District No. 440

SCHEDULE OF PRIOR AUDIT FINDINGS  
Year ended June 30, 2010

None